



STRATEGIES AND ACTIONS TO RECOVER
PUGET SOUND TO HEALTH

E: FUNDING STRATEGY

Action Agenda Funding Strategy

In order to achieve the recovery of Puget Sound by 2020, increased financial capacity to implement priority ongoing and new actions in the Action Agenda is required. Increased capacity can be achieved through new sources of funding, using existing funding more strategically and efficiently, and through the development of innovative, market-based programs. The goal of the funding strategy is to develop and secure stable and diverse funding sources of funding to implement Action Agenda priorities.

Federal, state, local, and tribal governments currently generate a significant portion of the money being spent on recovery efforts. Other significant sources of funding include private foundations, businesses and individuals. Several market-based mechanisms to achieve recovery goals are also being experimented with in the Puget Sound region; these include transfer of development rights programs, ecosystem services markets, and in-lieu-fee compensatory mitigation programs.

In addition, several subject specific funding strategies are identified other parts of the Action Agenda. For example, Onsite Sewer Systems and salmon recovery have unique funding requirements that need bolstering. Those actions are also cross-walked into this section to see the full package of funding actions together.

In fall 2011, the Leadership Council requested that a subcommittee of the ECB evaluate funding strategies to implement priority recovery actions. The Funding Committee has been meeting since December 2011. Its work plan included evaluating a funding strategy for each of the strategic initiatives. Those strategies will include an evaluation of existing expenditures, an assessment of financial need, and proposals on how to fill identified gaps. The proposals will draw from the funding strategies listed in this section. The ECB will report its findings and recommendations to the leadership council later in 2012. In addition, the ECB subcommittee will need to consider how the funding strategy local implementation.

Recovery actions, both ongoing and new, need funding. Those working on specific issue and program areas covered by the Action Agenda have identified the need for more, stable, and even dedicated sources of funding unique to their interest. Examples include, but are not limited to salmon recovery including watershed groups, Soundwide stewardship, outreach and behavior change, stormwater control and invasive species prevention and eradication, and SoundCorps. The Partnership is focused on developing an overall funding strategy rather than creating multiple, new dedicated funding sources.

Local Priorities

Secure and stable funding is priority for members in all local implementing organizations. The South Central Action Area caucus group identified specific funding strategy related priorities. Two key themes include:

- A more concerted effort to effectively advocate for federal and state funding (including preserving current funding) for salmon recovery. In addition, there is a need for an integrated funding strategy for Puget Sound with salmon recovery and stormwater as central elements. The strategy should also be aligned with land use and regulatory changes
- To successfully advocate for state and federal funding for stormwater investments in Puget Sound, there needs to be a more refined assessment of total need and priorities across the region for retrofits, operation and maintenance, and source control.

In addition, a top priority is to restore and protect Local Toxics Control Account funding under the Model Toxics Control Account (MTCA) for local toxics cleanup activities.

E1.1 Maintain and enhance federal funding for implementation of Action Agenda priorities.

The federal government provides a significant source of funding for implementation of priorities in the Action Agenda. This is accomplished through direct funding of federal agencies to engage in protection and restoration activities, sub awards and grants to support and match the work of non-federal partners, including PSP, other state agencies, tribes and others.

Ongoing Programs

- Engagement in annual budget development and appropriation process to maintain funding levels for important Puget Sound related programs including the EPA Geographic Programs for Puget Sound, National Estuary Program Base Grants, NOAA's Restoration Center, NOAA Pacific Coast Salmon Recovery Fund grant programs, and programs administered by USFWS, USGS, NPS, Coast Guard, DOD, USACE, USFS, NRCS, FEMA, FHA, FTA, and other federal agencies who lead work related to Puget Sound recovery.
- Annual federal funding prioritization process with state agencies.
- Funding for nearshore restoration and protection via the: completion of the USACE Puget Sound Nearshore Ecosystem Restoration Project's General Investigation in preparation for a Water Resources Development Act reauthorization process, implementation of early action nearshore restoration projects within the USACE Puget Sound and Adjacent Waters Construction Program and other federal agency match for WA's Estuarine and Salmon Restoration Program.
- Maintain focus on passage of the Puget Sound Recovery Act.

Near-Term Actions

E1.1 NTA 1: Puget Sound Recovery Act Passage. PSP to continue work with Washington, coastal and other key delegation staff to encourage passage of the Puget Sound Recovery Act by December 30, 2014.

Performance measure: If not passed during 112th session of Congress: By February 2013 meet with key Washington delegation members to ensure House and Senate champions have been secured for bill in the 113th session; Meet with House and Senate champions, pertinent committee members on a quarterly or more frequent basis, as needed, to provide information and gain updates on progress for passage: By March 2014 testify and provide information to Congress for committee hearings.

E1.1 NTA 2: Pacific Coast Salmon Recovery Funds. PSP, in collaboration with the Salmon Recovery Council, will craft and lead outreach strategy to increase Pacific Coast Salmon Recovery Funds with goal of securing federal match towards goal of fully funding the Puget Sound Chinook Salmon Recovery plan at \$120M per year by December 2014.

Performance measure: By October 2012, hold 2 meetings and briefings with key decision-makers within federal government to influence federal FY13 appropriations and FY14 budget formulation to increase federal share towards meeting \$120M per year funding target. By October 2013, provide 2 briefings and in-state field visits with key decision-makers within the federal government to provide status of update to the Puget Sound Chinook Recovery Plan funding estimate and ways to incorporate into federal FY15 budget process.

SALMON RECOVERY

Salmon Recovery Plan Priorities: When the Chinook Plan was completed in 2005 the estimated annual investment for the first ten years was \$120 million for Chinook and Bull Trout for capital and some non-capital actions. The investment rate has consistently been less than half of this estimated need. The Summer Chum plan also estimated a need of \$136 million for the first ten years for capital and non-capital actions. In addition, there is minimal funding for the programmatic capacity of stakeholders to continue their engagement in locally led salmon recovery actions.

How these priorities are integrated: The annual investment rate has consistently been less than half of the estimated need for salmon recovery with recent decreases to the federal Pacific Coast Salmon Recovery Fund and other programs causing delays in implementation of the Salmon Recovery Plan and related Action Agenda's ongoing projects and programs. Near-Term Action A6.1 NTA 1 is to secure the annual amount required to fully implement the approved Puget Sound Chinook Salmon Recovery Plan investment of \$120 million. Near-Term Action A6.4 NTA 1 is designed to bolster support for the Lead Entity and associated partner programs. These two investment strategy will be developed as part of the overall Puget Sound recovery funding strategy. The Puget Sound Funding strategy also includes actions to renew and increase the Pacific Coast Salmon Recovery Fund and the Puget Sound Acquisition and Restoration Fund.

E1.2 Focus federal agency budgets and national programs on Action Agenda priorities.

Federal agencies have many existing programs that are funded on an annual basis that could be focused on implementation of priorities in the Action Agenda. Creating a focus for this type of program on Puget Sound recovery actions could direct existing funds for national programs in this region without the need for increasing funding through an act of Congress.

Ongoing Programs

- Annual federal funding prioritization process with state agencies.
- Recommendations to federal agencies for priority actions to include in federal agency budget requests focusing on EPA, Department of Interior agencies, NMFS, NRCS, U.S Forest Service, the Army Corps of Engineers, and Department of Defense (DoD).
- Use results from the collaborations with LIOs and stakeholders to cultivate high priority projects that can achieve multiple benefits for recovery and are successful in garnering funds from national programs.

Near-Term Actions

E1.2 NTA 1: Farm Bill and Water Quality: PSP ~~will~~to work with NRCS and ~~P~~other partners to identify and increase funding to Puget Sound through the Farm Bill to improve water pollution prevention efforts and habitat protection and restoration efforts in rural

areas ~~in this biennium~~by December 2012. Partners will also develop a system to identify and track both the need and completed requests for these programs in the RCP PRISM database.

Performance measure: Meet with federal and state partners on a ~~biannual~~quarterly basis to direct ~~NRCS-Partner~~ funds to strategic ~~initiative~~areas and collaborations; Follow up and facilitate if needed the efficient allocation of funds to ~~the~~on-the-ground efforts of the agricultural community with a target to allocate NRCS-funds in each calendar year~~by December 2012~~. Specific funding levels will be identified by September 2012, and added to the performance measure.

E1.2 NTA 2: DoD Readiness and Environmental Protection. PSP to convene at least three meetings with DoD installations by March 2013. These meetings will focus on strategic planning and outreach with public officials and local stakeholders in support of DoD (Navy base Kitsap and JBLM) and state, federal and NGO partners collaborating on habitat and funding needs with goals of expanding the DoD Readiness and Environmental Protection Initiative (REPI) within Puget Sound. The goal of this work is to protect and restore increased ecosystem function that are related to the ability of DoD entities to accomplish their missions, preserve native biodiversity, and advance species recovery.

Performance measure: By August 2012 outreach materials will be crafted by PSP and USFWS that delineate timelines, priority actions for proactively addressing encroachment related to potential ESA listings and funding strategy for resourcing an Integrated Conservation Team to focus on species recovery while abating restrictions to JBLM and the South Sound's economic development. By July 2013 convene at least 3 meetings with Navy, agencies and NGO partners collaborating on Hood Canal to share criteria for each entity's decision-making, prioritize and align acquisition needs and document acquisition and funding strategies for REPI, matching funding and other sources.

E1.3 Maintain, enhance, and focus state funding for implementation of Action Agenda priorities.

Significant portions of state natural resource agency budgets are directed to implementation of priorities in the Action Agenda. The Partnership is required by statute to review state agencies' budgets and make recommendations, if necessary, to align budgets with priorities in the Action Agenda. In addition, the state makes significant annual investments in capital projects that contribute to Puget Sound recovery including wastewater treatment plants, stormwater retrofits, nearshore and salmon habitat restoration and protection projects.

The South Central Puget Sound Local Integrating Organization established a priority theme about stormwater investments: To successfully advocate for state and federal funding for stormwater investments in Puget Sound, there needs to be a more refined assessment of total need and priorities across the region for retrofits, operation and maintenance, and source control.

Ongoing Programs

- Implementation of statutory requirements by PSP including:
 - Aligning and prioritizing state agency budget requests and proposed cuts with priorities in the Action Agenda for use by OFM and the legislature.
 - Alignment of grant criteria and project selection with priorities in the Action Agenda.
- Work with state agencies to develop natural resource agency budget proposals, based on priorities in the Action Agenda.

Near-Term Actions

E1.3 NTA 1: Stormwater Priorities. PSP and Ecology work with partners to increase funding through Section 319(h) Nonpoint Source Grants, Clean Water State Revolving Fund, and Ecology Performance Partnership Grants to address stormwater priorities by April 2014.

Performance measure: By January 2014 use data from the Stormwater Needs Assessment and the ECB Funding committee to craft funding strategy and outreach materials to inform decision-makers about the priorities, amounts and types of state and federal government investments required to help share the burden of costs so that we can adequately address the scope of stormwater problems and meet related 2020 ecosystem recovery targets.

E1.3 NTA 2: Puget Sound Acquisition and Restoration Fund. PSP, in collaboration with the Salmon Recovery Council and RCO, to craft and lead outreach strategy to renew and increase Washington state's Puget Sound Acquisition and Restoration Fund with goal of securing state match towards goal of fully funding the Puget Sound Chinook Salmon Recovery plan at \$120M per year by December 2014.

Performance measure: By October 2012 hold 2 meetings and briefings or field visits with key decision makers to educate them about Puget Sound acquisition and restoration opportunities and the funding levels needed to do the work.

E1.3 NTA 3: State Funding. PSP will work closely with state, local and private partners to pursue state legislation or other mechanisms to provide adequate funding for critical water quality and habitat protection and restoration programs through June 2014.

Performance measure: Proposal complete by August 2012 to be included in Governor's 2013–15 Biennial Budget request; Proposal enacted by Legislature in the 2013–15 Biennial Budget

E1.4 Maintain and enhance local funding for implementation of Action Agenda priorities.

Local governments and special purpose districts account for a significant portion of funds spent on critical activities that contribute to Puget Sound Recovery. Examples include funding spent on wastewater treatment and stormwater pollution control, and habitat acquisition and restoration. Local governments should be supported and incentivized to increase funding to address local priorities that are also Puget Sound recovery priorities.

Ongoing Programs

Implementation of pollution prevention, habitat protection and restoration, and other recovery-related activities by local governments using locally generated funds from utility rates, fees, assessments, and other funding mechanisms available to local governments.

Near-Term Actions

E1.4 NTA 1: Local Funding Mechanism. PSP, working with the ECB funding committee, will lead the development of a legislative strategy by October 2012 to adopt a funding mechanism, which local governments around the Sound could elect to use to address Puget Sound recovery priorities.

Performance measure: PSP to convene a subcommittee of the ECB to form the coalition and develop a work plan that uses data on costs for Action Agenda implementation, funding gaps and will result in new proposals to fill funding gaps and efficiently use current financial resources. (October 2012); PSP, ECB and coalition members review funding needs for an integrated package of stormwater, habitat, and other water quality investments needed to carry out the Puget Sound recovery priorities and make recommendations regarding the establishment of additional funding mechanisms (consider scale, capacity of different mechanisms). Review and recommendations should build on research and recommendations from Central Puget Sound WRIAs regarding watershed-based funding mechanisms. The Executive Director of PSP should present recommendations to the Leadership Council in June 2012. (June 2012); Build support for and introduce any legislation recommended in June 2012 in the 2013 legislative session by November 2012.

E1.4 NTA 2: Rate Study of Special Purpose Districts. PSP will conduct a rate study of local special purpose districts to determine the relative amounts being raised by local governments to address recovery priorities compared to total potential that could be raised using existing funding mechanisms.

Performance measure: Report complete and submitted to the LC with recommendations by December 2012.

E1.5 Develop opportunities for private sector and philanthropic funding for implementation of Action Agenda priorities.

The private sector, including individuals, businesses, and philanthropies, recognizes the benefit of a healthy Puget Sound to a healthy economy. Businesses and private landowners are also faced with addressing certain recovery priorities such as controlling polluted runoff from private property. Opportunities should be provided for the private sector to invest in Puget Sound recovery. Opportunities for forming public/private partnerships to address priority issues should also be considered.

Near-Term Actions

E1.5 NTA 1: Coordination with Philanthropic Community. PSP will coordinate with the philanthropic community to encourage collaboration on implementation of highest priority actions in the Action Agenda by June 2014.

Performance measure: Hold two meetings per year with major philanthropic donors through June 2014 to provide outreach about Puget Sound priorities and progress, philanthropic needs and roles of partners.

E1.6 Develop and implement market-based mechanisms for implementation of priorities in the Action Agenda.

Significant amounts of money are currently spent on environmental mitigation related to growth and development in the region. Ecosystem structure and function continues to be degraded by land conversion in part due to a higher-than-acceptable rate of failure of mitigation projects.

In addition, property owners in rural areas are often faced with converting working resource lands such as forests and farms into more intensive uses such as residential. Environmental, aesthetic, and economic value is thereby lost. Ecosystem markets have the potential to compensate rural landowners for values that they provide by maintaining their lands in rural resource uses.

Ongoing Programs

- PSRC, Commerce, local governments, and PSP are working on the development of a transfer of development rights program in the central Puget Sound area. See Sections A. 3.
- The Partnership is involved with fostering in-lieu-fee compensatory mitigation projects in Hood Canal, and Pierce, King and Thurston Counties. Those programs should all be approved by December 2012. Support for the programs should continue through program adoption. See more detail in Section A1.4.

Near-Term Actions

E1.6 NTA 1: Compensatory Mitigation Programs. PSP to provide assistance, where necessary, on the development of in-lieu-fee (ILF) compensatory mitigation programs in Hood Canal, Pierce County and Thurston County. HCCC is working with partners in this process and will be in position to implement high priority actions from the ILF for 2013 and beyond. PSP will work with HCCC to track implementation progress and achievement of outcomes.

Performance measure: For Hood Canal program, consult at least semimonthly with Navy and key federal and state agencies to provide assistance and guidance to advance goal of directing funding towards Hood Canal's habitat priorities while maintaining project timelines: US Navy, ~~and~~ other partners, and HCCC will complete the In Lieu Fee (ILF) Mitigation Program by June 30, 2012. The goal will be to provide a minimum of \$7 million in fees with a minimum ratio for replacement of habitat with equivalent habitat

functioning of 3 to 1 for fresh and marine water habitat; Pierce County and Thurston County programs adopted by December 30, 2012.

Compensatory mitigation is also addressed in A1.4 CH2, which is the Hood Canal Coordinating Council's in-lieu fee effort.

Funding Actions Identified in Other Sections of the Action Agenda

- A2.1 NTA 1: Community Forestry Conservation Act. DNR will work with Congress to encourage passage of the Community Forestry Conservation Act (HR 1982 and S 1105 of the 112th Congress), which would enable non-profit conservation organizations to use bonds to purchase private working forests for long-term environmental and economic sustainable management by 2013.
- A2.1 NTA 4: Funding Mechanism for Properties at Imminent Risk of Conversion. PSP will work with the ECB funding committee to consider the development of a funding mechanism to rapidly acquire properties with high ecological value and imminent risk of conversion by 2013.
- A3.1 NTA 2: Landowner Incentives for TDRs and Ecosystem Markets. Ecology and Commerce, in coordination with DNR and the State Conservation Commission, will provide technical support and fund local projects to identify and implement landowner incentives, including TDRs and ecosystem services markets.
- A3.1 NTA 3: Forest Watershed Services. DNR will support pilot market transactions for delivery of watershed services from private forest landowners to downstream water beneficiaries in at least the Snohomish and Nisqually watersheds.
- A5.4 NTA 2: Ag Land Ecosystem Services Markets. By December 2013, the State Conservation Commission, working with Conservation Districts and Watershed Groups and counties will have three pilot projects underway that demonstrate ecosystem services markets associated with flood hazard prevention and agricultural lands in floodplains.
- A6. 1 NTA 1: Secure Annual Chinook Investment. PSP, in collaboration with the Salmon Recovery Council, will secure the annual investment as required to fully implement the approved Puget Sound Chinook Salmon Recovery Plan, and work to align that funding in support of the highest priority protection and restoration projects as identified by salmon recovery lead entities. This investment strategy will be developed as part of the overall Puget Sound recovery funding strategy.
- A6.1 NTA 1: Lead Entity and Partner Funding Strategy. By December 2012, PSP in collaboration with the Salmon Recovery Council and RCO, will identify a funding strategy and approach to support salmon recovery lead entities and the associated partner programs essential to implementing the salmon and steelhead recovery.
- C4.1 NTA 2: Forest Practices Adaptive Management Program. DNR will work to secure long-term and dependable funding for the Forest Practices Adaptive Management Program (AMP), training, compliance monitoring, and enforcement.

- C5.3 NTA 1: Regional OSS Homeowner Loan Program. DOH, Ecology, and PSP will help evaluate options and support proposals to fund a unified, self-sustaining, low-interest loan program in the Puget Sound region to help OSS owners repair and replace their systems by June 2014.
- C5.3 NTA 2: Regional OSS Program Funding Source. DOH will evaluate approaches and mechanisms (e.g., a regional flush tax or sewer surcharge) to establish a regional funding source for local OSS programs by June 2014.
- C5.3 NTA 3: Funding Mechanism for Local OSS Programs. DOH will work to authorize local boards of health to contract with county treasurers to collect fees via property tax statements to implement local OSS plans and programs by June 2012.

Emerging Issues and Future Opportunities

Securing and stabilizing funding will be an ongoing need. Work that will need continued development and other ideas suggested during the Action Agenda update process that could be considered include:

- Continuing to build on private and philanthropic partnerships.
- Allocation between local watershed areas.
- Adding criteria to state and federal grant programs to prioritize projects that encourage compact growth patterns, density and redevelopment, and rural lands protection.
- Establishing a center to organize and stimulate conservation markets for resource lands.
- Changing state law to allow cities to use enterprise funds for retrofitting streets for stormwater improvements and water crossing structures that currently disrupt ecosystem processes.
- Prioritization of restoration projects over protection projects by funders.
- Addressing match requirements and local government or NGO funding constraints.